

REPRESENTATIVE FOR PETITIONER:

Stephen R. Snyder, Snyder Morgan Federoff & Kuchmay LLP

REPRESENTATIVE FOR RESPONDENT:

Susan Engelberth, Kosciusko County Assessor

**BEFORE THE
INDIANA BOARD OF TAX REVIEW**

Magical Meadows, Inc.)	Petitions:	43-016-16-2-8-01164-16
)		43-016-17-2-8-00489-17
Petitioner,)		
)	Parcel:	43-07-13-300-072.000-016
v.)		
)		
Kosciusko County Assessor)	County:	Kosciusko
)		
Respondent.)	Assessment Years:	2016-17

Appeals from the Final Determination of the
Kosciusko County Property Tax Assessment Board of Appeals

November 8, 2018

FINAL DETERMINATION, FINDINGS OF FACT, AND CONCLUSIONS OF LAW

The Indiana Board of Tax Review (“Board”), having reviewed the facts and evidence, and having considered the issues, now finds and concludes the following:

I. INTRODUCTION

1. Magical Meadows, Inc. owned, occupied, and used all but a small portion of its property to provide therapeutic horseback riding lessons to disabled children and adults at minimal cost and to conduct activities, such as fundraising events, that directly supported its therapeutic-riding mission. We find that those activities were charitable. The only other

activities for which the property was used were either religious or represented truly de minimis amounts of time in comparison with the charitable and religious activities. We therefore find that Magical Meadows is entitled to an exemption for all its real property except for a portion of its main building that a volunteer used for the living quarters and a corresponding portion of its land. Because Magical Meadows did little to identify the personal property for which it sought an exemption or explain how that property was used, however, it failed to prove it was entitled to an exemption for any personal property aside from its horses.

II. PROCEDURAL HISTORY

2. Magical Meadows filed Form 136 applications with the Kosciusko County Property Tax Assessment Board of Appeals (“PTABOA”) claiming an exemption on all of the land and improvements contained in the parcel at issue, except for 12.52% of its main building, which it used as a staff residence. The PTABOA denied the exemption and determined that the property was 100% taxable. Magical Meadows then filed Form 132 petitions with the Board.
3. On June 12, 2018, our designated administrative law judge, Kyle C. Fletcher (“ALJ”), held a hearing on the petitions. Neither he nor the Board inspected the property.
4. Attorney Stephen R. Snyder represented Magical Meadows and called the following witnesses to testify under oath:
 - Tamara Stackhouse, Magical Meadows’ founder
 - Carl Adams, Magical Meadows’ executive director
 - Matthew Boren, Cardinal Services, Inc.’s executive vice President
 - Suzanne Light, Kosciusko County Community Foundation’s executive director
 - Jenny O’Hara, CPA with Owens Co., P.C.
5. Magical Meadows also submitted the following exhibits:
 - Petitioner’s Ex. 1(A): November 8, 2017 *Times Union* newspaper article
 - Petitioner’s Ex. 2(B): August 2, 2017 *The Paper* newspaper article

Petitioner's Ex. 3(C):	Magical Meadows Articles of Incorporation
Petitioner's Ex. 4(D):	Magical Meadows Articles of Amendment
Petitioner's Ex. 5(E):	Magical Meadows Bylaws
Petitioner's Ex. 6(F):	May 7, 2009 Internal Revenue Service letter
Petitioner's Ex. 7(G):	February 8, 2015 Accountant's Compilation Report
Petitioner's Ex. 8(H):	March 31, 2017 Accountant's Compilation Report
Petitioner's Ex. 9(I):	2017 Forms 136, 120, and 132
Petitioner's Ex. 10(K) ¹ :	May 22, 2018 Letter of Sandra Weaver
Petitioner's Ex. 11:	Promotional video for Magical Meadows

6. Susan Engelberth, the Kosciusko County Assessor, appeared on her own behalf. She called no witnesses to testify and submitted no exhibits.

7. The record also includes the following: (1) all pleadings and documents filed in the current appeal, (2) all orders, notices, and memorandum issued by the Board or ALJ, (3) the hearing sign-in sheet, and (4) an audio recording of the hearing.

III. FINDINGS OF FACT

A. The non-profit entity

8. Magical Meadows is a non-profit organization that provides horseback rides to children and adults with disabilities. Tammy Stackhouse founded Magical Meadows at her home in 2007. She trained with the Professional Association of Therapeutic Horsemanship ("PATH"), and she is Magical Meadows' only paid employee. *Stackhouse testimony; Adams testimony; Pet'r Exs. 1, 3, 5-6.*

9. The horseback rides have a therapeutic effect. They help improve focus, muscle engagement, hand-eye coordination, balance, and speech. Many different groups, including local students and military veterans, seek these benefits and ride at Magical Meadows' facility. Magical Meadows also provides services to every school corporation in Kosciusko County. The schools bring special-needs classes to the facility, where

¹ Magical Meadows labeled its exhibits with letters on cover pages and numbers on the documents. There was no exhibit J.

students rotate between horseback rides and tactile crafts or activities. The schools find Magical Meadows' therapeutic services to be an integral part of their operations. For example, Wawasee Community Schools finds that, among other things, the rides help reduce students' anxiety and increase their self-confidence, positive social interactions, and attention spans. Currently, Magical Meadows has over 100 riders each week.

Adams, Boren, and Stackhouse testimony; Pet'r Exs. 1, 10-11.

10. Magical Meadows receives some grants and donations to run its operations, but not enough to provide its services free of charge. Magical Meadows charges \$20 for each one-hour horse-riding lesson and sells lessons in six-week or nine-week sessions. It charges schools half the normal rate for rides. If riders cannot afford these fees, Magical Meadows still allows them to ride. It receives donations specifically to help indigent riders pay for lessons. Magical Meadows hopes to secure additional grants and donations that will allow it to stop charging riders for lessons. *Stackhouse, Light, and O'Hara testimony; Pet'r Ex. 1.*

B. The property

11. Magical Meadows bought the property, which includes a little more than seven acres of land and five pastures, in 2012. It finished building the improvements in October 2013. It used grants and donations to buy the land and build the improvements. *Stackhouse testimony; Pet'r Ex. 1.*
12. The improvements include a paved parking lot, utility sheds, lean-tos, and a main building. Magical Meadows uses the lean-tos to protect its 16 horses from inclement

weather. It uses the sheds to store equipment, feed, and other supplies. *Stackhouse testimony; Pet'r Exs. 1, 9.*²

13. The main building is 17,890 square feet and has an indoor arena, an activity center, meeting rooms, offices, living quarters, a kitchen area, bathrooms, and a storage area. Magical Meadows uses the indoor arena for rides in inclement weather, and it uses the storage area to store chairs, tables, and other small items. Children do tactile crafts in the activity center, which also contains a small library and computers. Magical Meadows uses the meeting rooms to train volunteers and to host meetings for its board and parents. It uses the kitchen to provide refreshments during activities. Once a year, it sells food at the property, which we infer is part of an annual fundraiser. *Stackhouse testimony; Pet'r Exs. 1, 9.*
14. A volunteer who cares for the horses occupies the 2,240-square-foot living quarters, which constitutes 12.52% of the main building. Magical Meadows does not request an exemption on that part of the property. *Pet'r Ex. 9; Form 132 petitions.*
15. On Sunday evenings, "cowboy church" rents the facility for \$1. Magical Meadows also uses the property to host concerts and other fundraising events, although it did not show how often those events occur. It uses the proceeds from those fundraisers to help pay its operating costs, which far exceed the revenue generated from riding lessons. Finally, Magical Meadows has also allowed people to use the arena, kitchen, activity center, and bathrooms for two or three weddings involving friends or family members. It did not charge the wedding parties if they donated money. *Stackhouse testimony; Pet'rs Ex. 1, 7-9.*

² Petitioner's Exhibit 9 includes an unsigned copy of Magical Meadows' Form 136 exemption application for 2017. The information about the property's use is very similar to the information contained in Magical Meadows' 2016 application, which is attached to its Form 132 petition for that year. Carl Adams, the organization's executive director, signed the 2016 application. He certified, subject to the penalties for perjury, that the statements contained in the application were true and correct to the best of his knowledge and belief.

16. In its exemption applications, Magical Meadows claimed an exemption for personal property assessed at \$9,420 for 2016 and \$8,890 for 2017. It is unclear specifically what personal property Magical Meadows meant to include in that request—it did not offer copies of its business personal property returns or otherwise identify the property at the hearing. Other than the exemption applications’ generic references to storing chairs, tables, equipment, and supplies, the only description of personal property appears in a Statement of Assets, Liabilities, and Fund Balance for December 31, 2015 and 16. That document references “Horses and Other Animals,” “Equipment,” “Office Equipment,” and “Furniture and Fixtures.” *Pet’r Exs. 7, 9; Form 132 petitions.*

IV. CONCLUSIONS OF LAW AND ANALYSIS

17. While all tangible property is generally taxable, the legislature has exercised its constitutional authority to create exemptions for specific types of property. *Indianapolis Osteopathic Hosp., Inc. v. Dep’t of Local Gov’t Fin.*, 818 N.E.2d 1009, 1014 (Ind. Tax Ct. 2004). A taxpayer bears the burden of proving that its property qualifies for an exemption. *Id.* at 1014.
18. Indiana Code § 6-1.1-10-16(a) provides an exemption for all or part of a building that is owned and exclusively or predominantly used and occupied for educational, literary, scientific, religious, or charitable purposes. I.C. § 6-1.1-10-16(a); I.C. § 6-1.1-10-36.3(c); *Jamestown Homes of Mishawaka, Inc. v. St. Joseph Cnty. Ass’r*, 909 N.E.2d 1138, 1141 (Ind. Tax Ct. 2009) *reh’g den.* 914 N.E.2d 13 (Ind. Tax Ct. 2009). A property is predominantly used or occupied for exempt purposes when more than 50% of its total use or occupancy in the year ending on the relevant assessment date is for exempt purposes. I.C. § 6-1.1-10-36.3(a). A tract of land on which an exempt building sits is also entitled to an exemption. I.C. § 6-1.1-10-16(c). So is personal property that “is owned and used in such a manner that it would be exempt under [Ind. Code § 6-1.1-10-16(a)] if it were a building.” I.C. § 6-1.1-10-16(e).

19. Because an exemption disturbs the equality and common burden of government on all property, we must strictly construe exemption statutes. *St. Mary's Med. Ctr. of Evansville, Inc. v. State Bd. of Tax Comm'rs*, 534 N.E.2d 277, 280 (Ind. Tax 1989), *aff'd*, 571 N.E.2d 1247 (Ind. 1991). Nonetheless, the term "charitable purpose" must be understood in its broadest constitutional sense. *Knox Cnty. Prop. Tax Assessment Bd. of Appeals v. Grandview Care, Inc.*, 826 N.E.2d 177, 182 (Ind. Tax Ct. 2005). Courts will generally find a charitable purpose if: (1) there is evidence of relief of human want manifested by obviously charitable acts different from the everyday purposes and activities of man in general; and (2) there is an expectation that a benefit will inure to the general public sufficient to justify the loss of tax revenue. *Id.*
20. Magical Meadows claims a charitable-purposes exemption on 87.48% of its main building and on 100% of the land and remaining structures. It uses those parts of the property either to provide therapeutic riding classes to disabled children and adults, or for activities closely related to its therapeutic riding services, such as providing space for children to do tactile crafts while they await their lessons, or to host meetings for parents and staff. Although Magical Meadows uses parts of the property for storage, the items stored appear to relate to Magic Meadows' therapeutic riding services and charity events. Similarly, the kitchen is largely used to offer refreshments to clients, or in connection with fundraising activities. Those fundraisers allow Magical Meadows to pursue its mission of providing therapeutic riding lessons. Thus, if the therapeutic riding at Magical Meadows is a charitable use, the storage and fundraisers are too.
21. We find that the therapeutic riding is a charitable use. It is designed to improve focus, muscle engagement, hand-eye coordination, balance, and speech for disabled children and adults as well as to improve their self-confidence. Those activities relieve human want and differ from the everyday activities of mankind in general. While this tests the limits of a charitable use, we find this a sufficient public benefit under the exemption statute.

22. The fact that Magical Meadows charges \$20/hr. for lessons (or \$10/hr. if the lessons are through local schools) does not change our conclusion. As the Tax Court has explained in the context of charitable exemptions for facilities that provide comfort and care for the aged, “charitable is not necessarily the equivalent of free.” *Knox Cnty. Prop. Tax Assessment Bd. of Appeals v. Grandview Care, Inc.*, 826 N.E.2d 177, 184 (Ind. Tax Ct. 2005) (internal quotation marks omitted). The fact that an institution charges residents for their stays does not necessarily negate its charitable purpose, “particularly ‘when it does not appear that the fees are more than sufficient to pay the expenses of maintenance or that the proprietors of the institution derive any profit therefrom.’” *Id.* (quoting *State Bd. of Tax Comm’rs v. Methodist Home for the Aged*, 143 Ind. App. 419, 241 N.E.2d 84, 88-89 (1968)). That principle applies with similar force here. Magical Meadows charges riders to defray its significant operating costs. It ultimately wants to raise enough money to provide its services free of charge.
23. The property was used for only two activities that were not directly related to Magical Meadows’ mission of providing therapeutic riding to disabled children and adults: “cowboy church” rented the property for \$1 on Sunday nights, and friends and relatives used part of the property for two or three weddings. Based on its name and the fact that it occurs on Sunday evenings, we infer that cowboy church is a religious activity and is therefore an exempt use under Ind. Code § 6-1.1-10-16(a). Similarly, Magical Meadows had either a religious or a charitable purpose in making the property available to cowboy church for a nominal sum.
24. The weddings, however, were not charitable uses. Where property is used for both exempt and non-exempt uses, a taxpayer must offer evidence comparing the amount of time the property was used for each. *Hamilton Cnty. Ass’r v. Duke*, 69 N.E.3d 567, 569-70 (Ind. Tax Ct. 2017). But Magical Meadows used the property for charitable and religious activities year round, while the weddings were two or three discrete events that

lasted only a handful of hours, at most. Thus, the non-exempt use was truly de minimis. Under these narrow circumstances, we do not believe that the predominant-use test requires usage logs or similar evidence to apportion the time the property was in use between exempt and non-exempt activities.

25. We find that all of Magical Meadows' buildings, except for the living quarters in the main building, were owned and exclusively occupied and used for exempt purposes. Magical Meadows is therefore entitled to an exemption for 87.48% its main building and 100% of its other improvements. It is also entitled to a corresponding exemption for its land.
26. Magical Meadows sought an exemption for its personal property as well. We have little difficulty concluding that it used the horses exclusively for charitable purposes. But we have little information about how it used the rest of its personal property, or in some cases, what that property actually was. That is important, because the volunteer who stayed in the living quarters may have used some of that personal property in connection with daily living activities. Magical Meadows did not claim those activities were exempt; to the contrary, it conceded that the volunteer's living quarters did not qualify. We therefore find that Magical Meadows' horses are exempt but that it failed to make a case for exempting any of its other personal property.

V. FINAL DETERMINATION

27. We find that 87.48% of Magical Meadows' main building and 100% of its other buildings are exempt from taxation and that a corresponding portion of the land is exempt as well. We further find that Magical Meadows' horses are exempt but that its remaining personal property is not.

The Indiana Board of Tax Review issues the Final Determination of the above captioned matter on the date written above.

Chairman, Indiana Board of Tax Review

Commissioner, Indiana Board of Tax Review

Commissioner, Indiana Board of Tax Review

- APPEAL RIGHTS -

You may petition for judicial review of this final determination under the provisions of Indiana Code § 6-1.1-15-5 and the Indiana Tax Court's rules. To initiate a proceeding for judicial review you must take the action required not later than forty-five (45) days after the date of this notice. The Indiana Code is available on the Internet at <<http://www.in.gov/legislative/ic/code>>. The Indiana Tax Court's rules are available at <<http://www.in.gov/judiciary/rules/tax/index.html>>.